



DITSOBOTLA LOCAL MUNICIPALITY NW384

**MTRF BUDGET 2016/17-
2018/19**

ABBREVIATIONS AND ACRONYMS

DME	Department of Mineral and Energy
DORA	Division of Revenue Act
EPWP	Extended Public Work Programme
FMG	Finance Management Grant
INEP	Integrated National Electrification Programme
IDP	Integrated Development Plan
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Account Committee
MSIG	Municipal System Improvement Grant
MTREF	Medium Term Revenue and Expenditure Framework
PMU	Project Management Unit
PPE	Property, Plant and Equipment
ISDG	Infrastructure Skill Development Grant

2 BUDGET OVERVIEW: EXECUTIVE SUMMARY

2.1 Introduction

The 2016/2017 Medium Term Revenue and Expenditure Framework and the Multi-Year Budget has been prepared to reflect the three- year plan of Ditsobotla Local Municipality. In addition, the directive from National Treasury based on MFMA circulars No 66, 67, 70, 72 74, 75,78 and 79 were used as the bases for preparation of this budget.

National Treasury has emphasized that the following areas needs to be given attention:

- i) Revenue Management – Billing Systems
- ii) Collecting Outstanding Debts – Political Commitments
- iii) Pricing Service Correctly – Management of Rebates and Subsidies
- iv) Under spending on repairs and maintenance
- v) Spending on low priorities – Luxury and non- service delivery related expenditure.

The main challenges experienced in the 2016/2017 Budget can be summarised as follows:

- The increased cost of bulk purchases and arrears on Eskom account.
- The need to re-prioritise expenditure within the existing resource envelope given the cash flow realities and declining cash position.
- The state and lack of maintenance for infrastructure.
- Ensuring that drinking water and waste water management meets the required quality standards at all times
- Unavailability of own-funding for capital budget; and
- Inability to raise capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2016/17

MTREF:

- Tariffs need to remain or move towards being cost reflective and a process of restructuring the tariffs for utility services for instance water and sanitation should be considered, the exercise is very intensive where gathering of information to develop a cost reflective model should be done correctly.

- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.

In MFMA Circular No. 70 municipalities were strongly advised to take note of the Cabinet resolution of 23 October 2013 by which all national and provincial departments, constitutional institutions and all public entities are required to implement cost containment measures with effect of January 2014. The cost containment measures must be implemented to eliminate waste, reprioritise spending and ensure savings on six focus areas namely, consultancy fees, no credit cards, travel and related costs, advertising, catering and event costs as well as costs for accommodation. Municipalities were subsequently strongly urged to take note of the cost containment measures as approved by Cabinet and align their budgeting policies to these guidelines to the maximum extent possible. Council adopted the cost containment measures policy and there is a resolution to that effect.

Over and above the guidelines from National Treasury, the budget was also influenced by the following:

- The performance of 2015/2016 budget was used as baseline.
- CPI guidelines from National Treasury except where specific sector increases are prescribed.
- Tariff and property rate increases should be affordable and generally not to exceed inflation as measured by the CPI except where adjustment are justified and where price increase is prescribed or determined outside the municipality's powers.

As per circular 79, municipalities must take the following macro-economic forecast into consideration when preparing their 2016/17 budgets and MTREF.

2.2 Consolidated Overview

The total budget of the municipality is **R446,1 million** which comprises of **R 406,2 million** Operating Budget and **R39,8 million** for total Capital Budget, details for the Multi-year Budget are given in the table below:

Table:1

Details	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
Total Operating Budget	406,246,000	440,690,000	462,485,000
Total Capital Budget	39,875,000	44,355,000	42,360,000
Total	446,121,000	485,045,000	504,845,000

Detailed Operational Budget

The table below shows the breakdown of the budget into operating revenue and expenditure.

Description	Budget Year 16/17	Budget Year 2017/18	Budget Year 2018/19
Revenue	406,246,000	440,690,000	462,485,000
Expense	(406,246,000)	(440,690,000)	(462,485,000)
Surplus	-	-	-

In order to ensure sustainability of vision and financial viability of the municipality in the long term, municipal tariffs have adjusted as follows:

- Water: 6.6% up to 40% inclined step tariff
- Electricity: 9.4%
- Property rates: 6.6%
- Sewerage basic 6.6%
 - Additional sewer treatment tariffs based on water consumption - 6.6% up to 40% inclined step tariff

- Refuse Collection: 6.6%

- Miscellaneous: 6.6%

The water tariffs have not been cost reflective and an effort is made to correct these of a period of 3 years , hence the introduction of inclined step tariffs

The municipality will still ensure that the poor are protected through the indigent support scheme as per the indigent policy and debt collection strategy.

The cash flow position of the municipality is expected to be under pressure for 2016/2017, a conservative approach to spending and utilization of Municipal assets will ensure that this matter is addressed.

The significant increase on the operational budget was as a result of the introduction of the following:

- On site billing which identified unbilled households
- Introduction of on-going data cleansing activities
- Introduction of Sewer treatment charges and inclined step water tariffs
- Drastic implementation of the Credit Control measures

3 BUDGET SUMMARY AND ANALYSIS

3.1 Medium Term Outlook 2016/2017 – 2018/2019

CAPITAL BUDGET

The Capital Budget is directly informed by the needs of the community submitted through the IDP process and the own contributed assets. The Capital Budget is mainly funded through Grant Funding in terms of DORA as well as surplus from operating revenue.

OPERATING BUDGET

For Ditsobotla to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management and expenditure management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs, unemployment, poverty and old infrastructure assets. **The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.**

The Operating Budget which deals with the day to day operation of the municipality to ensure service delivery to the communities has conservatively increased for the MTEF. The growth could be attributed to mainly the following:

- Cost of bulk purchases
- Service Delivery back log
- Cost of repair and maintenance
- Employee related cost

3.2 Budget Analysis

3.2.1 Operating Revenue per Source

NW384 Ditsobotla - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source											
Property rates	2	131 661	37 114	25 959	48 306	48 306	78 479	78 479	52 000	57 200	60 575
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	115 623	96 928	33 660	160 991	160 992	154 000	154 000	171 000	188 000	199 092
Service charges - water revenue	2	75 045	33 087	26 555	34 869	34 869	24 337	24 337	43 892	46 613	49 363
Service charges - sanitation revenue	2	9 955	7 608	-	7 430	7 430	8 868	8 868	11 497	12 210	12 930
Service charges - refuse revenue	2	8 523	10 889	-	9 390	9 390	10 741	10 741	12 981	13 786	14 599
Service charges - other		318	-	114 151	-	-	-	-	-	-	-
Rental of facilities and equipment		673	2 477	3 484	3 092	3 092	2 923	2 923	3 748	3 980	4 215
Interest earned - external investments		514	482	160	1 100	1 100	74	74	1 100	1 168	1 237
Interest earned - outstanding debtors		2 035	349	4 189	6 336	6 336	13 750	13 750	4 500	4 779	5 061
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		364	429	185	325	325	199	199	205	218	231
Licences and permits		609	1 670	878	2 522	2 522	1 582	1 582	2 149	2 282	2 417
Agency services		739	4 235	605	4 581	4 581	3 766	3 766	4 032	4 282	4 535
Transfers recognised - operational		60 422	61 201	74 238	95 419	95 419	98 092	98 092	96 792	104 738	106 712
Other revenue	2	7 570	6 834	15 855	1 383	1 383	1 455	1 455	1 350	1 434	1 518
Gains on disposal of PPE		18	367	-	-	-	-	-	1 000	-	-
Total Revenue (excluding capital transfers and contributions)		414 069	263 669	299 917	375 745	375 745	398 266	398 266	406 246	440 690	462 485
Expenditure By Type											
Employee related costs	2	120 590	138 409	144 556	145 253	145 253	125 010	125 010	156 292	165 982	175 775
Remuneration of councillors		9 827	5 040	10 872	12 910	12 910	11 254	11 254	13 700	14 549	14 549
Debt impairment	3	133 670	7 890	7 641	28 883	28 883	-	-	20 000	31 898	31 766
Depreciation & asset impairment	2	8 871	24 641	53 817	32 531	32 531	-	-	31 764	33 733	35 724
Finance charges		6 130	130 000	113 449	1 100	1 100	809	809	870	924	978
Bulk purchases	2	94 155	107 139	-	105 000	105 000	104 000	104 000	123 000	130 626	138 333
Other materials	8	6 463	6 830	3 243	5 000	5 000	4 048	4 048	18 000	19 116	20 244
Contracted services		789	12 940	2 235	16 200	16 200	15 136	15 136	22 600	22 600	22 600
Transfers and grants		6 447	(10 494)	3 308	8 000	8 000	6 966	6 966	320	340	360
Other expenditure	4, 5	13 022	50 348	44 825	17 000	17 000	16 641	16 641	19 700	20 921	22 156
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		399 964	472 743	383 947	371 877	371 877	283 864	283 864	406 246	440 690	462 485
Surplus/(Deficit)		14 105	(209 074)	(84 030)	3 868	3 868	114 402	114 402	(0)	(0)	0
Transfers recognised - capital		31 597	32 529	22 599	37 392	37 292	37 292	37 292	39 875	44 355	42 360
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		45 702	(176 545)	(61 431)	41 260	41 160	151 694	151 694	39 875	44 355	42 360
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		45 702	(176 545)	(61 431)	41 260	41 160	151 694	151 694	39 875	44 355	42 360
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		45 702	(176 545)	(61 431)	41 260	41 160	151 694	151 694	39 875	44 355	42 360
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		45 702	(176 545)	(61 431)	41 260	41 160	151 694	151 694	39 875	44 355	42 360

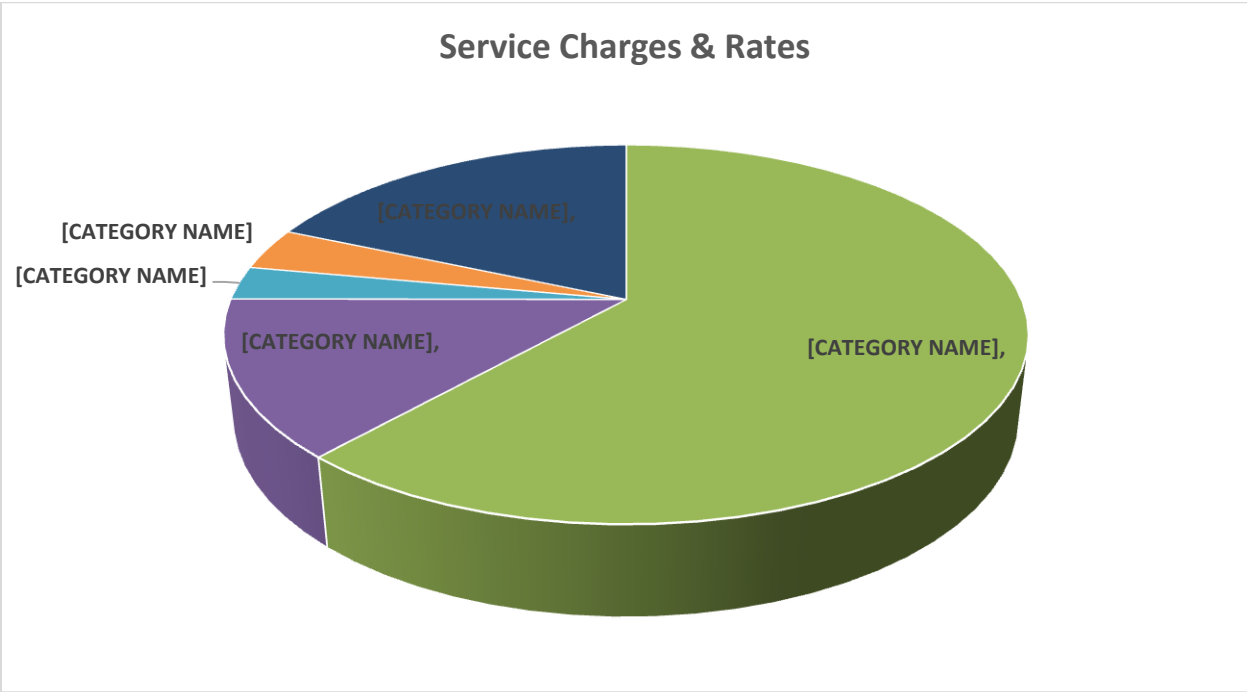
- In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.
- Revenue generated from **rates and services charges** forms a significant percentage of the revenue basket for the municipality. Rates and service charge revenues comprise 59 per cent of the total revenue mix. Followed by **operational grants** and other **secondary revenue** at 24 per cent and 4 per cent respectively.

Furthermore, the revenue of the municipality should be enhanced drastically and its Revenue Enhancement Strategy must be implemented and monitored in order to realise the anticipated revenue and increase the collection rate.

DoRA Allocation

<u>Description</u>	<u>2015/16 Budgeted (R)</u>	<u>2016/17 Budgeted (R)</u>	<u>2017/18 Indicative (R)</u>	<u>2018/19 Indicative (R)</u>
Equitable share	88,496,000	89,941,000	94,228,000	99,879,000
FMG	1,600,000	1,810,000	2,145,000	2,400,000
MSIG	930,000	-	-	-
MIG	34,214,000	34,875,000	37,355,000	39,360,000
EPWP	1,181,000	1,038,000	-	-
INEP	558,000	5,000,000	7,000,000	3,000,000
Total				
	129,479,000	132,664,000	140, 728. 000	144,639,000

- It must be noted that the MSIG will no longer be transferred to municipalities as per circular 79. However, it should be recorded as a grant in kind. The municipality will be receiving assistance from CoGta in relation to the following which will amount to the allocation of R1,3 million;
 - Records Management System
 - Simplified Revenue Plan
 - Performance Management System



3.2.1.1 Property Rates

The property rates show estimated revenue of R 50 million. Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality’s budgeting process. National Treasury’s MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. MFMA Budget Circular 72 encourages municipalities “to keep increases in rates, tariffs and other charges at levels that reflect an appropriate balance between the interests of poor household, other customers and ensuring the financial sustainability of the municipality”.

In terms of Section 15(1)(b) of the Local Government: Municipal Property Rates Act, No 6 of 2004, read with Council’s Property Rates Policy, the following reduction in market value and rebates should be granted on the rate levied for the Financial Year 2016/2017 to any owner of ratable property in the following circumstances:

- In terms of Section 17(h) of the Local Government: Municipal Property Rates Act, No6 of 2004, the impermissible value of the market value of a property assigned to the residential category in the valuation roll or supplementary valuation roll, be determined as R 60 000.
- Indigent households – Owner of residential property, registered in terms of Council’s approved Indigent Policy, be subsidised in accordance with the Indigent Policy and will not form part of a rebate in terms of the MPRA.
- Child-headed households – That a child-headed household registered in terms of Council’s approved Indigent Policy, be subsidised in accordance with the Indigent Policy and will not form part of a rebate in terms of the MPRA.
- Aged/Pensioners reduction, Disability grantees and Medically Boarded persons – that in addition to the reduction in terms of Section 17(h) of the Local Government: Municipal Property Rates Act, No 6 of 2004, subject to the requirements as set out in the Council’s Property Rates Policy, an additional rebate be granted in respect of sliding scale based on average monthly earnings.

3.2.1.2 Service Charges

Service charges include electricity, refuse, sewer and water. The R 239.3 million is made up of the following, water R43.8 million, Refuse R 12.9 million, Sewerage R 11.4 million and electricity R 171million. **It must be further noted that R53,3 million is an anticipated revenue on prepaid electricity and R117,7million on conversional respectively.** As per **circular 79**, on the 29 January 2016, NERSA approved and published guidelines on municipal electricity prices increase for the 2016/17 financial year. A guideline increase of 9.4 per cent has been approved based on the fact that Bulk purchases have increased by 9.4 per cent in line with Eskom’s electricity tariff increase to municipalities.

3.2.1.3 Interest on Debtors

Interest on debtors is guided by CPI and inflation rate as contained in Circular 79. However, it must be noted that the interest on outstanding debtors has been performing poorly. This is as a result of growing debt book of the municipality and there is no arrear collection done. There is

no rigorous areas debt collection. Initiatives are currently being undertaken to address the matter.

3.2.1.4 Agency Fees

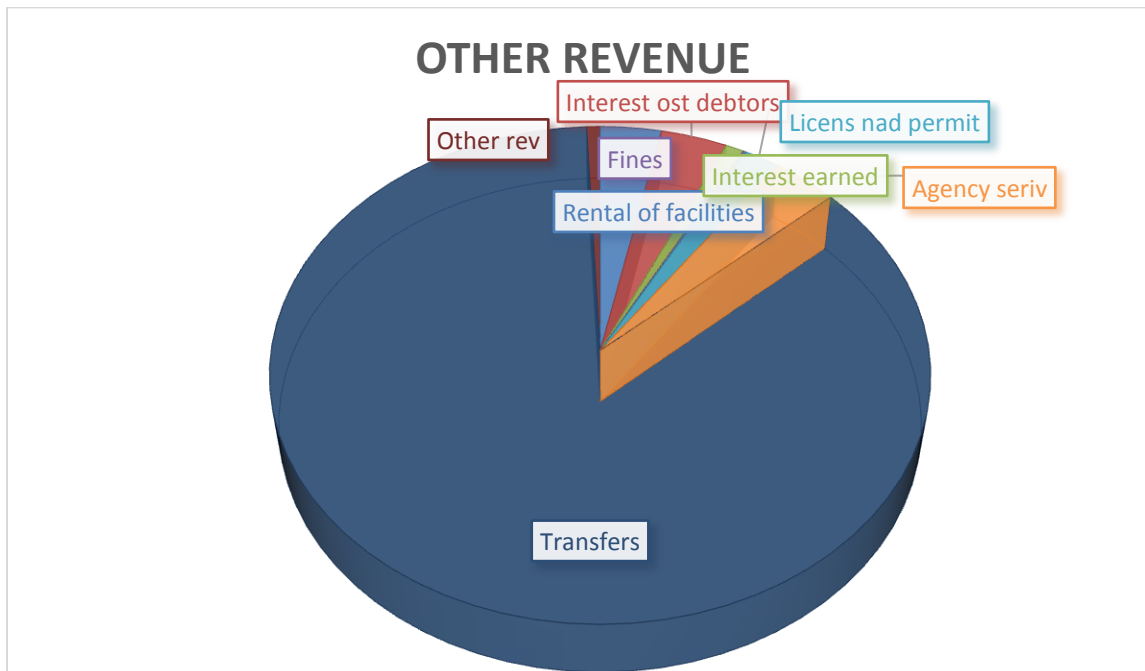
The function is done on behalf of Department of roads and transport and estimates for this revenue stream is R4 million.

3.2.1.5 Grants and Subsidies

Operating

Section 216 of the Constitution provides for national government to transfer resources to municipalities in terms of the annual Division of Revenue Act (DoRA) to assist them in exercising their powers and performing their functions.

The grants subsidies operational refers to the Equitable shares, Finance Management Grant, Extended Public Works Programme Grant and the ISDG. The revenue R96.7 million and is based on the Division of Revenue Act allocation.



Capital

This relates to conditional grants and has increase from R 37.3 million to R 39.8 million. This includes the INEP grant amounting to R5million and R34, 8million of MIG.

DoRA Allocation

Details	2015/2016	Indicative 2016-17	Indicative 2017-2018	Indicative 2018-2019
Municipal Infrastructure Grant	35,392,000	34,875,000	37,355,000	39,360,000
DoE	2,000,000	5,000,000	7,000,000	3,000,000
Total Allocation	37,392,000	39,875,000	44,355,000	42,360,000

3.2.1.6 Other Revenue

Other revenue has decreased from R26.7 million to R1.3million. It must be noted that the R25.4million will be disclosed in the cash flow statement (A6 & SA30).

3.2.2 Operating Expenditure

3.2.2.1. Employee Related Cost

The budgeted allocation for employee related costs for the 2016/17 financial year totals R156, 2million, which equals 38 per cent of the total operating expenditure which **excludes** the remuneration of councillors. The following factors needs to be taken into account:

- The budget is under serious constrains and that impacts negatively towards the cash flow position of the municipality, therefore no new positions will be accommodated in the budget.
- For the first six months Council is advised not to fill vacant positions only critical ones.
- The standard norm of best practice in terms of employee related cost versus the total operating cost is 35 to 40 per cent and the municipality is in line. Furthermore, **circular 79** incorporates the remuneration of councillors in terms of determination of percentage towards operational expenditure.
- Circular 79 encourages municipalities to increase its budget by 7.1 per cent since negotiations are concluded for the next coming three years.

3.2.2.2. Remuneration of Councillors

The remuneration of councillors will increase by 6.6% as per table A4 (*Statement of Financial Performance*) will be in line with the projected figure of R13.7million including the upper limits of Public Office Bearers.

3.2.2.3. Revised Expenditure Allocation

In line with paragraph **3.2.2** the following reductions have been effected based on cash flow analysis and anticipated revenue.

- **General Expenditure**

The draft budget allocation of R23.7 million is revised downwards to R19.7million.

- **Bulk Purchases**

The bulk purchases for water and electricity for the 2016/2017 financial year is reduced from R134 million to R123 million. This line item represents 30 per cent of the total operating expenditure.

Electricity

The expenditure category is influenced by Eskom increases and CPIX which is 9.4 per cent. It must be further noted that the Eskom arrear debt will be disclosed on the cash flow statement where a provision of R156 million is made for the payment of arrears plus current account.

Water

It must be noted that Sedibeng Water has taken over from Botshelo Water and all outstanding debts are payable to Sedibeng. The provision of R1 million is been made even if there is a dispute.

- **Repairs and Maintenance**

Repairs and maintenance of various infrastructures has been reduced from R27 million to R18 million. Caution should be noted most assets of the municipality are old and they require regular repairs and maintenance for the effective service delivery to the community. A provision of 8 per cent of the PPE could not be made due to the low spending pattern as a result of cash flow constraints. Through the revenue enhancement strategy and new tariff reforms introduced, the municipality is anticipating growth in terms of collection rate that will subsequently increase the cash flow of the municipality.

3.2.2.4. Contracted Services

Contracted Services has been decreased from R27.4 million to R22.6 million. This expenditure category is influenced by various contractual obligations with Service Providers.

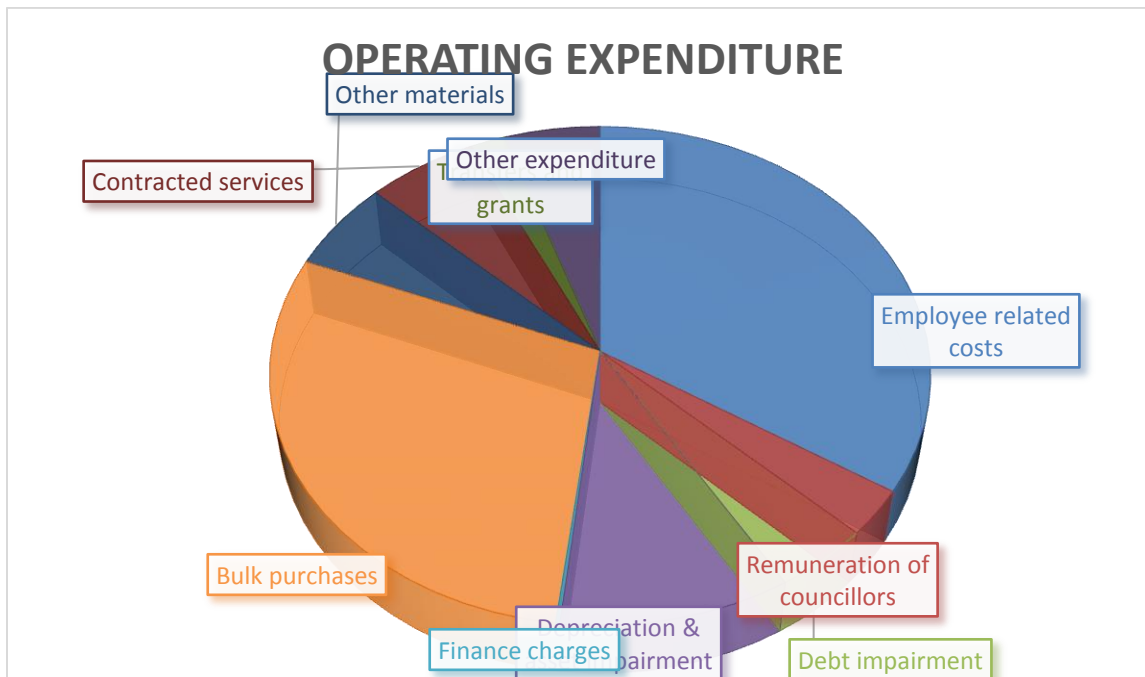
3.2.2.5. Debt impairment

Debt impairment has decreased from R28, 8million to R20 million. The debt impairment calculation is supposed to be based on the collection rate of property rates and service charges.

The collection rate of the municipality is at 70% therefore only R20 million impairment could be provided for. It must be noted that this is a non-cash item.

3.2.2.6. Depreciation & Asset Impairment

The municipality has budgeted R31, 7 million for asset impairment & depreciation to be able to address its aging infrastructure.



4. Project List Details

MTREF Projects Plan

Refer to annexure of the report

5. BUDGET PROCESS

5.1 Overview

The budget process is an effective process that the municipality must undertake to ensure good governance and to promote accountability. Budgeting is primarily about priorities and choices

that the municipality has to make in deciding how to meet the objectives set for service delivery. The budget preparation process is guided by the following legislative requirements:

- Municipal Budget and Reporting Regulation
- Municipal Finance Management Act
- Municipal System Act
- Municipal Structures Act

Communities will be consulted wherein a ward based plan will be developed to deal with infrastructure requirement of the municipality.

5.2 Political Oversight

Section 53(1)(a) states that the Executive Mayor must provide political guidance over the budget process and the priorities that must guide the preparation of the budget.

It is also entrusted to the Executive Mayor to ensure that the budget is approved on time and that the Service Delivery and Budget Implementation plans are developed and approved.

5.3 Consultation Process

Section 22 of the Municipal Finance Management Act requires that after tabling the Draft Annual Budget, the municipality must avail the budget to public and also invite local community to submit comments on the approved budget.

Consultative meetings were held during April and May 2016 wherein the budget will be presented to the communities. The inputs from the various committee wards are attached herein

5.4 Schedule of Key Deadlines

One of the objectives of the budget timetable is to ensure that there is interaction between the development of the IDP and budget. The budget time table is supposed be approved by Council on the 31st of August of each year, thus 10 months before the start of the financial year.

6. BUDGET ASSUMPTION

6.1 Key Financial Indicators

Budget assumption / parameters are determined before the budget process, guided by the economic outlook, movement in terms of markets and the National Treasury guidelines. All steps have been taken to be in line with National Treasury Guidelines, however the following factor affect the municipal operation and the budget should be accordingly:

- Anticipated high fuel price
- High Salaries
- Increase by Eskom

Key budget parameters used in developing the operation budget.(Macro and Micro economic conditions).

Description	2016/17	2017/18	2018/19
Inflation	6.6%	6.2%	5.9%
Remuneration:			
Employees	7.6%	7.2%	6.9%
Councilors	6.6%	6.6%	6.6%
Fuel / Diesel	6.6%	6.2%	5.9%
Water Purchases	6.6%	6.2%	5.9%
Electricity Purchases	9.4%	6.2%	5.9%
General Expenditure	6.6%	6.2%	5.9%

6.2 Credit Rating

The Municipality has not undergone a credit rating.

6.3 Borrowing and Investments

The MFMA permits the borrowing for long-term if it is for the acquisition of capital goods such as plant, equipment and infrastructure. Currently the municipality is not considering any long term borrowing.

Currently the municipality has no investments and only call accounts are utilized upon receipts of grants.

6.4 Rates, Tariffs, Charges and Timing of Revenue Collection

Accounts for rates, refuse, electricity, water and sanitation are issued on a monthly basis and are due and payable before the 15th of the month. Recovery procedures for non-payment may

be commenced within 15 days of payment default. The electricity supply is cut and water supply is restricted when a client defaults. The municipality is committed in ensuring that collection levels are improved and that credit control will be enforced those who can afford and not honoring their municipal accounts.

7. OVERVIEW OF BUDGET RELATED POLICIES AND AMENDMENTS

The municipality's budgeting process is guided and governed by the relevant legislation and related policies.

The purpose of the budget related policies is to govern and guide the budget process and inform the projections of the medium term.

Listed below with a brief description are the municipality's budget related policies. These policies are available from the municipality on request.

The accounting policy is reviewed on an ongoing basis to incorporate changes required by the relevant Accounting Standards, apart from the changes to these policies as part of the budget process.

Budget related policies are attached.

7.1 Virement Policy

The Virement policy establishes the framework for managers to manage their respective budgets within limitations, and also to ensure good budgeting practice and effective financial management. The Virement policy will be amended to improve budgetary controls.

7.2 Accounting policy

The accounting policy guides the preparation of the Annual Financial Statements and is reviewed each year during the preparation to ensure compliance with Generally Recognized Accounting standards and other guiding principles such as International Financial Reporting.

7.3 Supply Chain Management Policy

The supply chain management policy will be reviewed and amendments will be made where necessary.

7.4 Credit control and Debt collection policy

The council adopted a policy a few amendments have been made to give clear indication in terms indigents, s 118 on the issuing of rates clearance and the outstanding debt.

7.5 Tariff policy

Tariff policy needs to amended and recorded as per section74 of the MSA which reflects the principles in accordance to the mentioned section.

The tariff policy covers levying of tariffs, fees and charges for municipal services. The tariff policy details electricity, water, sewer, refuse removal and miscellaneous tariffs.

7.6 Fixed Asset Management Policy

The asset policy is designed to ensure management of Municipal assets in efficient and effective manner with regard to acquisition, utilization, control maintenance and disposal of assets. The policy guides Directorates in their responsibility and duties for control of their assets.

2417.8 Indigent Policy

The aim of the policy is to subsidies and or give free basic services to the poor community or disadvantage people. This policy is being reviewed with inputs from Cogta.

8 DISCLOSURE ON IMPLEMENTATION OF MFMA AND OTHER LEGISLATION

8.1 Budget

The amount budget has been developed in terms of the MFMA Circular and Reporting Regulation and National Treasury Requirements. Budget has been tabled within the required legislative timeframes. It has also compiled in line with budget related policies, thus Virement Policy, Accounting policy, Supply Chain Management Policy, Credit control and Debt collection policy, Revenue policy on tariff setting modeling, Fixed Asset Management Policy.

8.2 Budget and Treasury Office

A budget and treasury office has been established but will be reviewed as part of the organisational revamp.

8.3 Audit Committee

The Audit Committee has not yet been established and shared - services is used but not functional. The budget need to consider the options of establishing one for the institution.

8.4 Municipal Public Accounts Committee

The committee has been established and is supported by various sub-committees.

9. Recommendations

That the submitted 2016/17 to 2018/19 IDP and budget be approved as follows:

- a) That the total draft budget of R446 121 000 comprising of operating budget of R406 246 000 and capital budget of R39 875 000 be approved.
- b) That the operating revenue by vote and source as reflected in the submitted A-schedules be approved.
- c) That the operating expenditure by vote and standard item as reflected in the budget schedules be approved.
- d) That the capital expenditure by vote and associated category and funding reflected in the budget schedules be approved.
- e) That the two projected outer indicative budget for 2017/18 and 2018/19 also be approved.
- f) That the multi-year capital budget appropriation by vote and associated funding reflected in the submitted schedule be approved.
- g) That the existing budget related policies be reviewed and approved with the final 2016/17 MTREF budget year.
- h) That all indigent consumers will still be liable for any amount payable in excess of the total subsidy received.
- i) That the attached draft tariffs be approved.

QUALITY CERTIFICATION

I..... (Print Name), Acting Municipal Manager of Ditsobotla local Municipality, hereby certify that the Draft budget have been prepared accordance with the Municipal Finance Management Act and the regulations made under the Act.

Signature

Date

I..... (Print Name), Chief Finance Officer of Ditsobotla local Municipality, hereby certify that the Draft budget have been prepared accordance with the Municipal Finance Management Act and the regulations made under the Act.

Signature

Date